

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY  
SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**JUNE 30, 2004**

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# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Karen Butler	President	2003
Tony Condon	Vice President	2003
Gordon Juhl	Board Member	2003
Tom Ross	Board Member	2004
Dale McDonough	Board Member	2004
Gary Feddern	Board Member	2005
Don Schiltz	Board Member	2005
Board of Education (After September 2003 Election)		
Karen Butler	President	2006
Tony Condon	Vice President	2006
Gordon Juhl	Board Member	2006
Tom Ross	Board Member	2004
Dale McDonough	Board Member	2007
Gary Feddern	Board Member	2005
Don Schiltz	Board Member	2005
School Officials		
Richard Magnuson	Superintendent	2004
Linda Niles	District Secretary	2004
Harold White	Attorney	2004



## **Independent Auditor's Report**

To the Board of Education of the  
Estherville Lincoln Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Estherville Lincoln Central Community School District, Estherville, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Estherville Lincoln Central Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated November 2, 2004 on our consideration of Estherville Lincoln Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Estherville Lincoln Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

November 2, 2004



# **ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

Estherville Lincoln Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **Financial Highlights**

General Fund Revenues increased slightly from \$11,945,233 in fiscal year 2003, to \$11,981,414 in fiscal year 2004, while General Fund expenditures only increased from \$11,575,185 in fiscal year 2003 to \$11,583,967 in fiscal year 2004. This resulted in an increase in the District's General Fund balance from \$ 279,038 in fiscal year 2003 to a fund balance of \$ 676,485 in fiscal year 2004.

The district was able to maintain expenditures close to the 2003 level due mainly to attrition and changes in transportation services. By increasing revenues through the cash reserve levy and maintaining expenditures, the District has improved its fund balance, along with its cash flow. The District participated in the ISCAP program during FY 04, but did not have any advance activity during the year.

Beginning July 1, 2003 the District engaged Dakotacare as third party administrator for its self-insured employee health plan which is maintained in an Internal Service Fund.

On March 1, 2004 the Regional Wellness Center opened for business. The Regional Wellness Center is a joint effort between the local, state, county governments and private citizens. The District owns the facility and operating activities are recorded as a business type activity.

Interest earnings in the General Fund decreased from \$57,342 in fiscal year 2003 to \$ 41,096 in fiscal year 2004.

## Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- . The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- . The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- . The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- . The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b>			
<b>Major Features of the District-Wide and Fund Financial Statements</b>			
	District-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	. Statement of net assets  . Statement of activities	. Balance sheet  . Statement of revenues, expenditures, and changes in fund balances	. Statement of revenues, expenses and changes in net assets  . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources	Accrual accounting And economic Resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year regardless of when cash is received or paid

### **District-wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed.

Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- . Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- . To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- . *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- . *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- . Some funds are required by state law and by bond covenants.
- . The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- . *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - . The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
- The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three enterprise funds, the School Nutrition Fund, the Childcare Fund, and the Wellness Center Fund.

### Financial Analysis of the District as a Whole

**Net assets** – Figure A-3 below provides a comparison of the District's net assets for the years ended June 30, 2003 and June 30, 2004.

Figure A – 3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District	Total School District	Percentage of Change
	2003	2004	2003	2004	2003	2004	2003-04
Current and other assets	\$ 8,524,581	\$ 9,360,289	\$ 164,619	\$ 353,827	\$ 8,689,200	\$ 9,714,116	10.6%
Capital assets	6,874,742	3,600,709	5,761	5,383,543	6,880,503	8,984,252	23.4%
Total assets	15,399,323	12,960,998	170,380	5,737,370	15,569,703	18,698,368	16.7%
Long-term obligations	2,547,851	1,745,417			2,547,851	1,745,417	-46.0%
Other Liabilities	6,780,147	6,835,990	27,013	151,701	6,807,160	6,987,691	2.6%
Total liabilities	9,327,998	8,581,407	27,013	151,701	9,355,011	8,733,108	-7.1%
Net assets:							
Invested in capital assets, net of related debt	5,031,643	2,025,638	5,761	5,383,543	\$ 5,037,404	\$ 7,409,181	32.0%
Restricted	200,450	255,401			200,450	255,401	21.5%
Unrestricted	839,232	2,098,552	137,606	202,126	976,838	2,300,678	57.5%
Total net assets	\$ 6,071,325	\$ 4,379,591	\$ 143,367	\$ 5,585,669	\$ 6,214,692	\$ 9,965,260	37.6%

The District's combined net assets at June 30, 2003 were \$6,214,692 and increased to \$9,965,260 at June 30, 2004. This improvement in net assets came from its business type activities, due to the substantial completion of the Regional Wellness Center facility.



**Changes in net assets** – Figure A-4 shows the changes in net assets for the years ended June 30, 2003 and June 30, 2004.

Figure A-4 Changes in Net Assets							
	Governmental Activities		Business-type Activities		Total School District		% Change 2003-04
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 426,487	\$ 541,924	\$ 370,064	\$ 511,212	\$ 796,551	\$ 1,053,136	32.2%
Operating grants, contributions, and restricted interest	2,376,192	2,401,942	280,769	293,549	2,656,961	2,695,491	1.5%
Capital grants, contributions and restricted interest	1,845,000	2,077,808			1,845,000	2,077,808	12.6%
General revenues:							
Property tax	4,275,686	4,527,423			4,275,686	4,527,422	5.9%
Local Option	662,598	614,233			662,598	614,233	-7.3%
Unrestricted state grants	5,446,153	5,279,677			5,446,153	5,279,677	-3.1%
Unrestricted investment earnings	126,205	59,154			126,205	59,154	-53.1%
Other	388,367	306,824			388,367	306,825	-21.0%
Transfers		(29,167)		29,167	-	-	
Transfers- Property & Equipment		(5,447,685)		5,447,685	-	-	
Total revenues	15,546,688	10,332,133	650,833	6,281,613	16,197,521	16,613,746	2.6%
Program expenses:							
Governmental activities:							
Instruction	9,102,683	8,418,960			9,102,683	8,418,960	-7.5%
Support services	3,192,835	3,023,659			3,192,835	3,023,659	-5.3%
Non-instructional programs	997	1,413	526,800	839,311	527,797	840,724	59.3%
Other expenses	623,215	579,835			623,215	579,835	-7.0%
Total expenses	12,919,730	12,023,867	526,800	839,311	13,446,530	12,863,178	-4.3%
Change in net assets	\$ 2,626,958	\$ (1,691,734)	\$ 124,033	\$ 5,442,302	\$ 2,750,991	\$ 3,750,568	36.3%

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses. The Regional Wellness Center accounts for the increased revenues to the charges for sales and services in the business type activities, as well as the increase in non-instructional program expenditures. Substantial completion of the Regional Wellness Center was the major factor in the 36.3% increase in net assets of the District.

### Governmental Activities

Revenues for governmental activities were \$15,808,985 and expenses were \$12,023,867, with transfers to business type activities of \$5,476,852 resulting in a decrease in net changes in fund balances of \$1,691,734. This was due to transferring property and equipment from the Capital Projects Fund to the Regional Wellness Center Operating Fund upon completion of the facility.





Exhibit B presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

The cost financed by users of the District's programs was \$541,924. Federal and state governments subsidized certain programs with grants and contributions totaling \$2,695,491. The net cost of governmental activities was financed with \$4,527,422 in property tax, \$5,279,677 in state foundation aid and \$306,825 in other income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$804,761 and expenses were \$839,311. The District's business-type activities include the Nutrition Fund, the Childcare Fund and the Regional Wellness Center Operating Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, grants, donations and investment income.

During the year ended June 30, 2004, the Regional Wellness Center Operating Fund was established to record the activities of facility that was built through a joint effort of city and county governments, a Vision Iowa grant, a private capital campaign and a donation to the Estherville Lincoln Central School District from the Rex Inman estate. The facility opened March 1, 2004.

The District's Nutrition Fund implemented a computerized tracking system which has enabled the District to track reimbursable meals more efficiently, along with offering more selections, this has increased revenues by about 5% from the FY 2003 to FY 2004 year.

### **Financial Analysis of the District's Funds**

As previously noted, the Estherville Lincoln Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,115,325, an increase \$830,505 over last year's fund balances. The majority of the increase coming from unexpended LOST revenues and the cash reserve levy.

### **Governmental Fund Highlights**

The District's General Fund financial position has improved over the past year, improving its solvency ratio to a positive 5.3%. The district has increased revenues through the use of the cash reserve levy and federal grants, while maintaining expenditures mainly through attrition and reducing employee benefits.

Enrollment continues to drop and the state is gradually phasing out the budget guarantee, which will challenge the District in the next few years as its spending authority will decline.

The District continues to receive approximately \$600,000 a year in LOST revenues. The District issued revenue bonds in the amount of \$2,750,000 to finance infrastructure projects at the high school and middle school in 2000. Final payment on the bonds will be June 2009. There will be LOST revenues remaining after debt payments have been met and the District will need to plan for other infrastructure projects.

### **Proprietary Fund Highlights**

Net assets in the Proprietary Funds increased significantly due to the completion of the Regional Wellness Center. The property and equipment were transferred from the Capital Projects to the Regional Wellness Center Operating Fund. The Nutrition Fund increased \$48,779 due to the increased revenues and maintaining expenditures at the 2003 level as noted previously.

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a cash basis. Over the course of the year, the District amended its budget one time to reflect additional revenue and expenditures associated with the Regional Wellness Center capital project activity. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budget for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 41-42.

### **Legal Budgetary Highlights**

The District's total actual receipts were \$443,107 less than the total budgeted receipts. The most significant change resulted in the District receiving less revenues from federal sources than anticipated.

Total expenditures were less than budgeted, it is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The District did not exceed expenditures in any of its functional areas for fiscal year ending June 30, 2004.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2004, the District had invested \$8,984,252, net of accumulated depreciation in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Note 5)

Depreciation expense for the year exceeded \$355,000.

The original cost of the District's capital assets was \$13.7 million.

The largest change in capital asset activity during the year occurred in the construction in progress category. With completion of the Regional Wellness Center, the assets were transferred to the business type activities.

### **Long-Term Debt**

At June 30, 2004 the District had \$1,575,071 in general obligation and other long-term debt outstanding. \$1,555,000 is related to the 2000 Middle School/High School Capital Improvements. Local option sales tax revenues are being used to retire this debt. The remaining debt is \$20,071 for Asbestos abatement and is interest free.

Other long term debt includes over \$600,000 in early retirement benefits.

### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

The District's enrollment continues to decline and the state is phasing out the budget guarantee, which will force the district to spend less. This becomes a difficult task with rising insurance, salary and instructional materials costs.

The District's buildings are old and are in need of major renovations, but the district has limited funds available for repair.

The District has evaluated its transportation vehicles and has determined that at least one bus should be replaced each year to insure safe, reliable student transportation.

The District has invested funds in Technology, primarily from funds given to the District specifically for Technology. The state has eliminated these funds, without funds available the District must find other resources or let our technology become out dated.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customer, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kate Woods, District Treasurer and Business Manager, Estherville Lincoln Central Community School District, 301 N 6<sup>th</sup> Street, Estherville, IA 51334.

## **BASIC FINANCIAL STATEMENTS**

## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
ISCAP (note 4)	\$ 1,050,399	\$ -	\$ 1,050,399
Other	3,230,988	327,562	3,558,550
Receivables:			
Property Tax:			
Delinquent	108,066	-	108,066
Succeeding year	3,945,886	-	3,945,886
Income surtax	366,991	-	366,991
Accounts	294,055	11,655	305,710
Accrued Interest:			
ISCAP (note 4)	2,920	-	2,920
Other	69	-	69
Due From Other Governments	332,370	-	332,370
Inventories	28,545	14,610	43,155
Capital Assets, Net Of Accumulated Depreciation (Note 5)	3,600,709	5,383,543	8,984,252
<b>Total Assets</b>	<b>\$12,960,998</b>	<b>\$5,737,370</b>	<b>\$18,698,368</b>
<b>Liabilities</b>			
Accounts Payable	\$ 1,199,781	\$ 17,239	\$ 1,217,020
Salaries and Benefits Payable	48,747	18,456	67,203
Accrued Interest Payable	7,122	-	7,122
Deferred Revenue – Succeeding Year Property Tax	3,945,886	-	3,945,886
Deferred Revenue	128,682	116,006	244,688
ISCAP Warrants Payable (Note 4)	1,044,000	-	1,044,000
ISCAP Accrued Interest Payable (Note 4)	4,427	-	4,427
ISCAP Unamortized Premium	9,657	-	9,657
Long Term Liabilities (Note 6):			
Portion Due Within One Year:			
Bonds payable	275,000	-	275,000
Notes payable	8,028	-	8,028
Early retirement	164,660	-	164,660
Portion Due After One Year:			
Bonds payable	1,280,000	-	1,280,000
Notes payable	12,043	-	12,043
Early retirement	453,374	-	453,374
<b>Total Liabilities</b>	<b>\$ 8,581,407</b>	<b>\$ 151,701</b>	<b>\$ 8,733,108</b>



# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets (Continued) June 30, 2004

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Invested In Capital Assets, Net Of Related Debt	\$2,025,638	\$5,383,543	\$7,409,181
Restricted For:			
Phase III	773	-	773
Medicaid (10%)	6,558	-	6,558
Management levy	19,466	-	19,466
Physical plant and equipment levy	94,119	-	94,119
Other special revenue purposes	134,485	-	134,485
Unrestricted	<u>2,098,552</u>	<u>202,126</u>	<u>2,300,678</u>
<b>Total Net Assets</b>	<u><b>\$4,379,591</b></u>	<u><b>\$5,585,669</b></u>	<u><b>\$9,965,260</b></u>

See notes to financial statements

## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Activities  
Year Ended June 30, 2004

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Govern</u> <u>Activ</u>
		<u>Charges For</u> <u>Services</u>	<u>Operating</u> <u>Grants,</u> <u>Contributions</u> <u>And</u> <u>Restricted</u> <u>Interest</u>	<u>Capital</u> <u>Grants,</u> <u>Contributions</u> <u>&amp; Restricted</u> <u>Interest</u>	
Governmental Activities					
Instruction:					
Regular instruction	\$5,090,199	\$ 133,464	\$ 938,875	\$ -	\$(4,01
Special instruction	2,484,664	362,434	681,640	-	(1,44
Other instruction	844,097	-	18,780	-	(82
	<u>8,418,960</u>	<u>495,898</u>	<u>1,639,295</u>	<u>-</u>	<u>(6,28</u>
Support Services:					
Student services	601,806	-	71,700	-	(53
Instructional staff services	182,327	-	136,514	-	(4
Administration services	1,037,735	-	-	-	(1,03
Operation and maintenance of plant services	906,875	36,205	133,523	-	(73
Transportation services	294,916	9,821	-	-	(28
	<u>3,023,659</u>	<u>46,026</u>	<u>341,737</u>	<u>-</u>	<u>(2,63</u>
Non-Instructional Programs	<u>1,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(</u>
Other Expenditures:					
Facilities acquisition	-	-	-	2,077,808	2,07
Long-term debt interest	98,691	-	-	-	(9
AEA flowthrough	420,910	-	420,910	-	-
Depreciation (unallocated)	60,234	-	-	-	(6
	<u>579,835</u>	<u>-</u>	<u>420,910</u>	<u>2,077,808</u>	<u>1,91</u>
Total Governmental Activities	<u>12,023,867</u>	<u>541,924</u>	<u>2,401,942</u>	<u>2,077,808</u>	<u>(7,00</u>
Business-Type Activities:					
Non-Instructional Programs:					
Nutrition services	458,163	266,036	247,020	-	-
Childcare center	101,778	93,260	39,255	-	-
Wellness center	279,370	151,916	7,274	-	-
Total Business-Type Activities	<u>839,311</u>	<u>511,212</u>	<u>293,549</u>	<u>-</u>	<u>-</u>
Total Government	<u>\$12,863,178</u>	<u>\$1,053,136</u>	<u>\$2,695,491</u>	<u>\$2,077,808</u>	<u>(7,00</u>
General Revenues:					
Tax Levied For:					
General purposes					3,83
Specific purpose					69
Local options					61



Unrestricted state grants	5,279
Unrestricted investment earnings	59
Other	300
Transfers	(29)
Transfers – Property and Equipment	<u>(5,449)</u>
Total General Revenues and Transfers	<u>5,310</u>
Change In Net Assets	(1,699)
Net Assets Beginning Of Year	<u>6,009</u>
Net Assets End Of Year	<u>\$4,310</u>

**See notes to financial statements**



## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds  
June 30, 2004

	General	Capital Project Sales Tax	Expendable Trust	Nonmajor Special Revenue	
	Total				
<b>Assets</b>					
Cash and Pooled Investments:					
ISCAP	\$1,050,399	\$ -	\$ -	\$ -	\$1,050,399
Other	1,269,147	658,280	495,346	200,156	2,622,929
Receivables:					
Property Tax:					
Delinquent	59,125	37,144	-	11,797	108,066
Succeeding year	3,144,842	-	-	801,044	3,945,886
Income surtax	366,991	-	-	-	366,991
Accounts	2,328	291,457	-	-	293,785
Accrued interest – ISCAP	2,920	-	-	-	2,920
Accrued interest – other	69	-	-	-	69
Interfund Receivable	-	-	-	-	-
Due From Other Governments	266,558	-	-	65,812	332,370
Inventories	28,545	-	-	-	28,545
<b>Total Assets</b>	<b>\$6,190,924</b>	<b>\$986,881</b>	<b>\$495,346</b>	<b>\$1,078,809</b>	<b>\$8,751,960</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 792,179	\$291,457	\$ -	\$ 4,609	\$1,088,245
Salaries and benefits payable	48,747	-	-	-	48,747
Due to other governments	-	-	-	-	-
ISCAP warrants payable	1,044,000	-	-	-	1,044,000
ISCAP accrued interest payable	4,427	-	-	-	4,427
ISCAP unamortized premium	9,657	-	-	-	9,657
Deferred Revenue:					
Succeeding year property tax	3,144,842	-	-	801,044	3,945,886
Income surtax	366,991	-	-	-	366,991
Other	103,596	-	-	25,086	128,682
<b>Total Liabilities</b>	<b>5,514,439</b>	<b>291,457</b>	<b>-</b>	<b>830,739</b>	<b>6,636,635</b>
Fund Balances:					
Reserved For:					
Phase III	773	-	-	-	773
Medicaid (10%)	6,558	-	-	-	6,558
Inventories	28,545	-	-	-	28,545
Unreserved	640,609	695,424	495,346	248,070	2,079,449
<b>Total Fund Balances</b>	<b>676,485</b>	<b>695,424</b>	<b>495,346</b>	<b>248,070</b>	<b>2,115,325</b>
<b>Total Liabilities and     Fund Balances</b>	<b>\$6,190,924</b>	<b>\$986,881</b>	<b>\$495,346</b>	<b>\$1,078,809</b>	<b>\$8,751,960</b>



# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets June 30, 2004

<b>Total fund balances of governmental funds (page 19)</b>		<b>\$2,115,325</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		3,600,709
Other long-term assets (income surtax receivable) are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		366,991
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(7,122)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the Internal Service Funds are:		
Current assets	\$640,077	
Accounts payable	(117,303)	
Net amount allocated to business type activities	<u>(25,981)</u>	496,793
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(2,193,105)</u>
<b>Net assets of governmental activities (page 17)</b>		<b><u>\$4,379,591</u></b>



## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2004**

	<u>General</u>	<u>Debt</u>	<u>Capital</u>	<u>Expendable</u>	<u>Nonmajor</u>	
	<u>Total</u>	<u>Service</u>	<u>Projects</u>	<u>Trust</u>	<u>Special</u>	
					<u>Revenue</u>	
Revenues:						
Local Sources:						
Local tax	\$ 3,828,599	\$ -	\$ 614,750	\$ -	\$ 696,002	\$ 5,139,351
Tuition	432,742	-	-	-	-	432,742
Other	161,096	-	2,077,808	12,072	292,363	2,543,339
State sources	6,399,639	-	-	-	651	6,400,290
Federal sources	1,159,338	-	-	-	133,523	1,292,861
Total Revenues	<u>11,981,414</u>	<u>-</u>	<u>2,692,558</u>	<u>12,072</u>	<u>1,122,539</u>	<u>15,808,583</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	5,126,447	-	-	-	204,617	5,331,064
Special instruction	2,584,254	-	-	-	-	2,584,254
Other instruction	582,580	-	-	-	274,022	856,602
	<u>8,293,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>478,639</u>	<u>8,771,920</u>
Support Services:						
Student services	651,907	-	-	-	96,287	748,194
Instructional staff services	183,830	-	-	-	-	183,830
Administration services	871,029	-	-	-	210,956	1,081,985
Operation and maintenance						
Of plant services	913,868	-	-	-	11,122	924,990
Transportation services	249,142	-	-	-	53,149	302,291
	<u>2,869,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,514</u>	<u>3,241,290</u>
Non-instructional programs	-	-	-	229	1,184	1,413
Other Expenditures:						
Facilities acquisition	-	-	1,936,027	-	209,429	2,145,456
Long Term Debt:						
Principal	-	268,028	-	-	-	268,028
Interest and fiscal charges	-	99,893	-	-	-	99,893
AEA flowthrough	420,910	-	-	-	-	420,910
	<u>420,910</u>	<u>367,921</u>	<u>1,936,027</u>	<u>-</u>	<u>209,429</u>	<u>2,934,287</u>
Total expenditures	<u>11,583,967</u>	<u>367,921</u>	<u>1,936,027</u>	<u>229</u>	<u>1,060,766</u>	<u>14,948,910</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	397,447	(367,921)	756,531	11,843	61,773	859,673
Other Financing Sources (Uses):						
Operating transfers in	-	367,921	-	-	-	367,921
Operating transfers out	-	-	(359,592)	(29,469)	(8,028)	(397,089)
Total other financing sources						
(uses)	<u>-</u>	<u>367,921</u>	<u>(359,592)</u>	<u>(29,469)</u>	<u>(8,028)</u>	<u>(29,168)</u>
Net Change In Fund Balances	397,447	-	396,939	(17,626)	53,745	830,505
Fund Balances Beginning Of Year	<u>279,038</u>	<u>-</u>	<u>298,485</u>	<u>512,972</u>	<u>194,325</u>	<u>1,284,820</u>
Fund Balances End Of Year	<u>\$ 676,485</u>	<u>\$ -</u>	<u>\$ 695,424</u>	<u>\$495,346</u>	<u>\$ 248,070</u>	<u>\$ 2,115,325</u>





# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities Year Ended June 30, 2004

**Net change in fund balances - total governmental funds**  
**(page 21)** \$ 830,505

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$2,449,679	
Depreciation expense	<u>(276,028)</u>	2,173,651

Income surtax budgeted for in 2004 and received after year end is not considered available revenue in the governmental funds and is deferred. It is recorded as revenue in the Statement of Activities. (20,254)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 268,028

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,202

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		86,718
------------------	--	--------

Transfers of property and equipment to the Wellness Center		(5,447,685)
--	--	-------------

Internal service funds are used by management to charge the costs of health insurance and benefits to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of the amount allocated to business-type activities.

Change in net assets	427,472	
Net of amount allocated to business-type activities	<u>(11,371)</u>	<u>416,101</u>

**Change in net assets of governmental activities (page 18)** \$ (1,691,734)



## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

### Statement of Net Assets – Proprietary Funds Year Ended June 30, 2004

#### Business-Type Activities – Enterprise Funds Governmental

	Activities-				
	School Service Nutrition Funds	Internal Childcare Center	Wellness Center	Total	
<b>Assets</b>					
Cash and pooled investments	\$ 80,344	\$ 70,148	\$ 145,336	\$ 295,828	\$639,793
Accounts receivable	-	10,246	1,395	11,641	284
Inventories	14,610	-	-	14,610	-
Property and equipment	28,005	-	5,451,732	5,479,737	-
Accumulated depreciation	(17,857)	-	(78,337)	(96,194)	-
<b>Total Assets</b>	<u>\$105,102</u>	<u>\$ 80,394</u>	<u>\$5,520,126</u>	<u>\$5,705,622</u>	<u>\$640,077</u>
<b>Liabilities and Fund Equity</b>					
Accounts payable	\$ -	\$ 296	\$ 11,176	\$ 11,472	\$117,303
Accrued payroll	692	7,383	10,381	18,456	-
Deferred revenues	14,610	-	101,396	116,006	-
<b>Total Liabilities</b>	<u>15,302</u>	<u>7,679</u>	<u>122,953</u>	<u>145,934</u>	<u>117,303</u>
<b>Net Assets</b>					
<b>(Unrestricted)</b>	<u>\$ 89,800</u>	<u>\$ 72,715</u>	<u>\$5,397,173</u>	5,559,688	<u>\$522,774</u>
Reconciliation To Government-wide Statements Of Net Assets:					
Adjustment to reflect the consolidation of Internal Service					
Fund's activities related to enterprise funds.				25,981	
Net Assets of Business-type Activities				<u>\$5,585,669</u>	

See notes to financial statements

hibit H

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2004**

**Business-Type Activities – Enterprise Funds  
Governmental**

	<b>Activities-</b>				
	<b>School</b>	<b>Internal</b>	<b>Wellness</b>		
	<b>Service</b>	<b>Childcare</b>	<b>Center</b>	<b>Center</b>	<b>Total</b>
	<b>Nutrition</b>	<b>Center</b>	<b>Center</b>	<b>Center</b>	<b>Total</b>
<b>Funds</b>					
<b>Operating Revenues:</b>					
Charges for services	\$266,036	\$ 93,260	\$ 151,916	\$ 511,212	\$1,690,476
Miscellaneous	<u>7,716</u>	<u>632</u>	<u>7,274</u>	<u>15,622</u>	<u>-</u>
Total Operating Revenue	273,752	93,892	159,190	526,834	1,690,476
<b>Operating Expenses:</b>					
Non-instructional Programs:					
Food Service Operations:					
Salaries and benefits	240,357	-	-	240,357	-
Food	198,777	-	-	198,777	-
Other	<u>25,142</u>	<u>-</u>	<u>-</u>	<u>25,142</u>	<u>-</u>
	<u>464,276</u>	<u>-</u>	<u>-</u>	<u>464,276</u>	<u>-</u>
Community Service Operations:					
Salaries and benefits	-	90,568	134,408	224,976	-
Purchased services	-	802	24,603	25,405	-
Supplies	-	10,934	43,307	54,241	-
Other	<u>-</u>	<u>2,252</u>	<u>78,338</u>	<u>80,590</u>	<u>-</u>
	<u>-</u>	<u>104,556</u>	<u>280,656</u>	<u>385,212</u>	<u>-</u>
Other Enterprise Operations:					
Claims expense	-	-	-	-	1,040,126
Administrative fees and other	<u>-</u>	<u>-</u>	<u>1,193</u>	<u>1,193</u>	<u>222,878</u>

	<u>-</u>	<u>-</u>	<u>1,193</u>	<u>1,193</u>	<u>1,263,004</u>
Total Operating Expense	<u>464,276</u>	<u>104,556</u>	<u>281,849</u>	<u>850,681</u>	<u>1,263,004</u>
<b>Operating Income (Loss)</b>	<u>(190,524)</u>	<u>(10,664)</u>	<u>(122,659)</u>	<u>(323,847)</u>	<u>427,472</u>
<b>Non-Operating Revenues:</b>					
Transfers	-	-	29,167	29,167	-
Capital contribution – Capital Projects Fund	-	-	5,447,685	5,447,685	-
State sources	5,759	38,623	-	44,382	-
Federal sources	<u>233,545</u>	<u>-</u>	<u>-</u>	<u>233,545</u>	<u>-</u>
Total Non-Operating Revenue	<u>239,304</u>	<u>38,623</u>	<u>5,476,852</u>	<u>5,754,779</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>48,780</u>	<u>27,959</u>	<u>5,354,193</u>	<u>5,430,932</u>	<u>427,472</u>
<b>Net Assets Beginning of Year</b>	<u>41,020</u>	<u>44,756</u>	<u>42,980</u>		<u>95,302</u>
<b>Net Assets End of Year</b>	<u>\$ 89,800</u>	<u>\$ 72,715</u>	<u>\$5,397,173</u>		<u>\$ 522,774</u>

Reconciliation To Government-wise Statements of Net Assets:

Adjustment to reflect the consolidation of Internal Service Funds' activities related to enterprise funds	<u>11,371</u>
Change in net assets of business-type activities	<u>\$5,442,303</u>

See notes to financial statements

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows Proprietary Funds Year Ended June 30, 2004

### Business-Type Activities – Enterprise Funds Governmental

	Activities-				
	Internal		Wellness		
	School	Childcare	Wellness		
	Service	Center	Center	Total	
	Nutrition				
	<u>Funds</u>				
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers	\$266,379	\$ 93,508	\$251,917	\$611,804	\$ -
Other operating receipts	7,373	632	7,274	15,279	-
Cash received from other funds					
For services	-	-	-	-	1,690,192
Cash payments to suppliers for					
Goods or services	(181,937)	(13,972)	(58,059)	(253,968)	(1,132,901)
Cash payments to employees for					
Services	<u>(239,665)</u>	<u>(88,804)</u>	<u>(124,027)</u>	<u>(452,496)</u>	<u>-</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>(147,850)</u>	<u>(8,636)</u>	<u>77,105</u>	<u>(79,381)</u>	<u>557,291</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>					
State grants received	5,759	38,623	-	44,382	-
Federal grants received	<u>193,821</u>	<u>-</u>	<u>-</u>	<u>193,821</u>	<u>-</u>
<b>Net Cash Provided By Non-Capital Financing Activities</b>	<u>199,580</u>	<u>38,623</u>	<u>-</u>	<u>238,203</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Transfers	-	-	29,168	29,168	-
Acquisition of capital assets	<u>(5,845)</u>	<u>-</u>	<u>(4,048)</u>	<u>(9,893)</u>	<u>-</u>
<b>Net Cash Provided By (Used) In Capital and Related Financing Activities</b>	<u>(5,845)</u>	<u>-</u>	<u>25,120</u>	<u>19,275</u>	<u>-</u>
<b>Cash Flows From Investing Activities:</b>					
Interest on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

<b>Net Cash Flows From Investing Activities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Increase In Cash and Cash Equivalents</b>	45,885	29,987	102,225	178,097	557,291
<b>Cash and Cash Equivalents At Beginning Of Year</b>	<u>34,459</u>	<u>40,161</u>	<u>43,111</u>	<u>117,731</u>	<u>82,502</u>
<b>Cash and Cash Equivalents At End Of Year</b>	<u>\$ 80,344</u>	<u>\$ 70,148</u>	<u>\$145,336</u>	<u>\$295,828</u>	<u>\$ 639,793</u>

**Non-Cash Transactions:**

Property and Equipment purchased in the amount of \$5,447,685 was contributed from the Capital Projects Fund to the Wellness Center.

**See notes to financial statements**

hibit I

## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows – Proprietary funds  
Year Ended June 30, 2004Business-Type Activities – Enterprise Funds  
Governmental

	Activities-				
	Internal			Total	
	School Service Nutrition	Childcare Center	Wellness Center		
Funds					
<b>Reconciliation Of Income From Operations To Net Cash Provided (Used) By Operating Activities</b>					
Income (loss) from operations	\$(190,524)	\$(10,664)	\$(122,659)	\$(323,847)	\$427,472
<b>Adjustments To Reconcile Income From Operations To Net Cash Provided (Used) By Operating Activities:</b>					
Depreciation	1,458	-	78,337	79,795	-
Commodities used	39,724	-	-	39,724	-
<b>Changes In Assets and Liabilities:</b>					
(Increase) Decrease In Accounts Receivable	-	248	(1,395)	(1,147)	(284)
(Increase) Decrease In Inventories	5,958	-	-	5,958	-
(Increase) Decrease In Prepaid Expense	-	-	-	-	20,725
(Increase) Decrease In Accounts Payable	-	16	11,045	11,061	109,378
Increase (Decrease) In Accrued Salaries and Benefits	692	1,764	10,381	12,837	-
Increase (Decrease) In Deferred Revenue	(5,158)	-	101,396	96,238	-
<b>Net Cash Provided By Operating Activities</b>	<u>\$(147,850)</u>	<u>\$ (8,636)</u>	<u>\$ 77,105</u>	<u>\$ (79,381)</u>	<u>\$557,291</u>

**Non-Cash Investing, Capital and Financing Activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$39,724.



**See notes to financial statements**

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements June 30, 2004

### (1) Summary of Significant Accounting Policies

The Estherville Lincoln Central Community School District was formed when voters of both the Estherville and Lincoln Central Community School Districts approved a merger as of July 1, 1997. The merger was accomplished by splitting the Lincoln Central School District with a neighboring school.

The Estherville Lincoln Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Estherville and Gruver, Iowa, the predominate agricultural territory in Emmet County and portions of Dickinson County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

#### A. Reporting Entity

For financial reporting purposes, Estherville Lincoln Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Estherville Lincoln Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

District-wide financial statements - The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's proprietary funds are Enterprise Funds; School Nutrition Fund, Childcare Center, and the Wellness Center. These funds are used to account for the food service, childcare, and wellness center operations of the District.

### **C. Measurement Focus and Basis of Accounting**

The District-wide financial statements and the proprietary fund financial statements are reported using the "economic resources measurement focus". The District-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

# **ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**

## **Notes to Financial Statements (Continued) June 30, 2004**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

**Cash, Pooled Investments and Cash Equivalents** - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

**Property Tax Receivable** - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

**Due From Other Governments** - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment	5 - 15 Years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Obligations - In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

### **E. Budgeting and Budgetary Control**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the Other Expenditures exceeded the amounts budgeted.

### **(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and certain joint investment trusts.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$84,821 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.



# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer To	Transfer From	Amount
Wellness Center	Expendable Trust	\$ 29,167
Debt Service	Capital Projects	359,893
	Physical Plant and Equipment Levy	8,028
Total		<u>\$397,080</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-04A	6/20/03	6/18/04	\$ -	\$ -	\$ -	\$ -
2003-04B	1/30/04	1/28/04	536,630	2,920	533,000	4,427
2004-05A	6/20/03	6/30/05	513,769	-	511,000	-
			<u>\$1,050,399</u>	<u>\$ 2,920</u>	<u>\$1,044,000</u>	<u>\$ 4,427</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District did not have advance activity in the General Fund for the year ended June 30, 2004.



# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates On Warrants	Interest Rates On Investments
2003-04A	2.000%	1.392%
2003-04B	2.000%	1.310%
2004-05A	3.000%	2.463%

### (5) Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning Of Year, as Restated	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	<u>\$3,491,000</u>	<u>\$1,956,684</u>	<u>\$5,447,684</u>	<u>\$ -</u>
Capital assets being depreciated:				
Buildings	<u>\$5,671,401</u>	<u>\$ 82,048</u>	<u>\$ -</u>	<u>\$5,753,449</u>
Improvements other than buildings	<u>409,194</u>	<u>47,834</u>	<u>-</u>	<u>457,028</u>
Furniture and equipment	<u>1,673,824</u>	<u>363,113</u>	<u>-</u>	<u>2,036,937</u>
Total capital assets being Depreciated	<u>7,754,419</u>	<u>492,995</u>	<u>-</u>	<u>8,247,414</u>
Less accumulated depreciation for:				
Buildings	<u>3,050,507</u>	<u>85,570</u>	<u>-</u>	<u>3,136,077</u>
Improvements other than buildings	<u>193,619</u>	<u>18,639</u>	<u>-</u>	<u>212,258</u>
Furniture and equipment	<u>1,126,551</u>	<u>171,819</u>	<u>-</u>	<u>1,298,370</u>
Total accumulated depreciation	<u>4,370,677</u>	<u>276,028</u>	<u>-</u>	<u>4,646,705</u>
Total capital assets being depreciated, net	<u>3,383,742</u>	<u>216,967</u>	<u>-</u>	<u>3,600,709</u>
Governmental activities capital assets, net	<u>\$6,874,742</u>	<u>\$2,173,651</u>	<u>\$5,447,684</u>	<u>\$3,600,709</u>

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Buildings – Wellness Center	\$ -	\$5,219,403	\$ -	\$5,219,403
Furniture and Equipment – Wellness Center	-	232,329	-	232,329
Furniture and Equipment – School Nutrition	<u>22,160</u>	<u>5,845</u>	<u>-</u>	<u>28,005</u>
Business-Type Activities Capital Assets Being Depreciated	<u>22,160</u>	<u>5,457,577</u>	<u>-</u>	<u>5,479,737</u>
Less Accumulated Depreciation For:				
Buildings – Wellness Center	-	65,243	-	65,243
Furniture and equipment – Wellness Center	-	13,094	-	13,094
Furniture and equipment – School Nutrition	<u>16,399</u>	<u>1,458</u>	<u>-</u>	<u>17,857</u>
Total Accumulated Depreciation	<u>16,399</u>	<u>79,795</u>	<u>-</u>	<u>96,194</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,761</u>	<u>\$5,377,782</u>	<u>\$ -</u>	<u>\$5,383,543</u>

Depreciation expense was charged by the District as follows:

### Governmental Activities:

#### Instruction:

Regular	\$ 121,604
Special	12,501
Other	9,092

#### Support Services:

Instructional staff	6,819
Administration	5,682
Operation and maintenance of plant	11,365
Transportation	<u>48,731</u>

215,794

Unallocated depreciation

60,234

Total governmental activities depreciation expense

\$ 276,028

### Business-type Activities:

Food services	\$ 1,458
Wellness Center	<u>78,337</u>
	<u>\$ 79,795</u>

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

### (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Local option tax revenue bonds	\$1,815,000	\$ -	\$260,000	\$1,555,000	\$275,000
Notes payable	28,099	-	8,028	20,071	8,028
Early retirement	<u>704,752</u>	<u>9,126</u>	<u>95,844</u>	<u>618,034</u>	<u>164,660</u>
Total	<u>\$2,547,851</u>	<u>\$ 9,126</u>	<u>\$363,872</u>	<u>\$2,193,105</u>	<u>\$447,688</u>

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. Early retirement benefits paid during the year ended June 30, 2004, totaled \$95,844. There were 27 retired individuals receiving benefits at June 30, 2004.

#### Bonds Payable

The District adopted a resolution, on April 10, 2000, providing for the issuance of \$2,750,000 in School Infrastructure Sales and Services Tax Revenue Bonds, Series 2000A. As part of the resolution, the District will deposit all local option tax revenue into the local option sales and services tax revenue fund for the payment and interest on the bonds.

Details of the District's June 30, 2004 local option tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2000		
	Interest Rates	Principal	Interest
2005	5.55%	\$ 275,000	\$ 85,463
2006	5.55	295,000	70,200
2007	5.55	310,000	53,828
2008	5.40	330,000	36,623
2009	5.45	<u>345,000</u>	<u>18,803</u>
Total		<u>\$1,555,000</u>	<u>\$ 264,917</u>

**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**(Continued)**  
**June 30, 2004**

Notes Payable

During 1989 the District received an interest free loan from the U.S. Environmental Protection Agency. The notes are payable from the Physical Plant and Equipment Levy Fund. Details of the District's indebtedness under the agreements at June 30, 2004 are as follows:

Year Ending June 30,	1989 Asbestos EPA	
	Principal	Interest
2005	\$ 8,028	\$ -
2006	8,028	-
2007	4,014	-
Total	<u>\$ 20,070</u>	<u>\$ -</u>

During the year ended June 30, 2004, the District made payments totaling \$8,028 under the agreements.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$384,843, \$386,225 and \$391,387, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Estherville Lincoln Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements (Continued) June 30, 2004

### Health Care Coverage

The District maintains the Insurance Internal Service Fund to account for the District's employee health care coverage program which is self-insured by the District beginning July 1, 2003. Aggregate stop-loss insurance and specific stop-loss insurance are covered through third-party insurance policies. Revenues are recognized from payroll deduction and District contributions. As of June 30, 2004, a liability of \$117,303 has been recorded, which represents estimated claims incurred but not yet reported.

Changes in the medical claims liability amounts were:

Beginning Of Fiscal Year Liability	Current Year Claims And Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
\$ 7,925	\$1,040,126	\$930,748	\$117,303

### **(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$420,910 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## Required Supplementary Information



# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances

-  
**Budget and Actual (Cash Basis)**  
**All Governmental Funds and Proprietary Funds**  
**Required Supplemental Information**  
**Year Ended June 30, 2004**

	<b>Governmental Fund Types and Expendable Trust Funds-Actual</b>	<b>Proprietary Fund Type Actual</b>	<b>Budget Adjustments</b>	<b>Net</b>	<b>Bud Orig</b>
<b>Receipts:</b>					
Local sources	\$ 7,841,513	\$ 824,300		\$ 8,665,813	\$ 8,757,113
State sources	6,351,339	9,551		6,360,890	6,400,890
Federal sources	1,380,564	67,158		1,447,722	1,760,722
Other sources	<u>172,828</u>	<u>257,448</u>	-	<u>430,276</u>	<u>417,722</u>
<b>Total Receipts</b>	<u>15,746,244</u>	<u>1,158,457</u>	-	<u>16,904,701</u>	<u>17,345,457</u>
<b>Disbursements:</b>					
Instruction	8,708,160	-		8,708,160	9,340,160
Support services	3,302,322	-		3,302,322	3,640,322
Non-Instructional	1,412	984,390		985,802	1,160,390
Other expenditures	<u>3,006,439</u>	<u>-</u>	-	<u>3,006,439</u>	<u>2,657,439</u>
<b>Total Disbursements</b>	<u>15,018,333</u>	<u>984,390</u>	-	<u>16,002,723</u>	<u>16,801,311</u>
<b>Excess (Deficiency) of Receipts Over (Under) Disbursements</b>	727,911	174,067	-	901,978	534,146
<b>Balance Beginning of Year</b>	<u>1,889,026</u>	<u>117,721</u>	-	<u>2,006,747</u>	<u>2,006,747</u>
<b>Balance End of Year</b>	<u>\$ 2,616,937</u>	<u>\$ 291,788</u>	<u>\$ -</u>	<u>\$ 2,908,725</u>	<u>\$ 2,541,493</u>

See Accompanying Independent Auditor's Report

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule - Budget to GAAP Reconciliation

### Required Supplementary Information

Year Ended June 30, 2004

	Governmental Fund Types		
	Cash Accrual Basis Basis	Accrual Modified Adjust- ments	
Revenues	\$15,746,244	\$ 62,339	\$15,808,583
Expenditures	<u>15,018,333</u>	<u>(69,423)</u>	<u>14,948,910</u>
Net	727,911	131,762	859,673
Other financing sources (uses)	-	(29,168)	(29,168)
Beginning fund balances	<u>1,889,026</u>	<u>(604,206)</u>	<u>1,284,820</u>
Ending fund balances	<u>\$ 2,616,937</u>	<u>\$ (501,612)</u>	<u>\$ 2,115,325</u>

  

	Proprietary Fund Type	
	Cash Basis	Enterprise Accrual Adjust- ments
Accrual Basis		
Revenues	\$ 1,158,458	\$(353,697)
Expenses	<u>984,391</u>	<u>(133,710)</u>
Net	174,067	(219,987)
Transfers	-	5,476,852
Beginning Net Assets	<u>117,720</u>	<u>11,036</u>
Ending Net Assets	<u>\$ 291,787</u>	<u>\$5,267,901</u>

**See accompanying independent auditor's report**

# **ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT**

## **Notes to Required Supplementary Information - Budgetary Reporting Year Ended June 30, 2004**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$417,137.

## Other Supplementary Information



## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2004

	<u>Management</u>	<u>Student Activity</u>	<u>Physical Plant And Equipment</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 13,494	\$134,616	\$ 52,046	\$ 200,156
<b>Receivables - Property Tax:</b>				
Current year delinquent	5,972	-	5,825	11,797
Succeeding year	485,000	-	316,044	801,044
<b>Due From Other Governments</b>	-	-	65,812	65,812
<b>Total Assets</b>	<u>\$504,466</u>	<u>\$134,616</u>	<u>\$439,727</u>	<u>\$1,078,809</u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 131	\$ 4,478	\$ 4,609
Deferred revenue - grant proceeds	-	-	25,086	25,086
Deferred revenue - succeeding year property tax	485,000	-	316,044	801,044
<b>Total Liabilities</b>	<u>485,000</u>	<u>131</u>	<u>345,608</u>	<u>830,739</u>
<b>Fund Equity:</b>				
Fund Balances:				
Unreserved, undesignated	<u>19,466</u>	<u>134,485</u>	<u>94,119</u>	<u>248,070</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$504,466</u>	<u>\$134,616</u>	<u>\$439,727</u>	<u>\$1,078,809</u>

See Accompanying Independent Auditor's Report





## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund BalancesNonmajor Special Revenue Funds  
Year Ended June 30, 2004

	Management Levy	Student Activity	Physical Plant And Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$349,513	\$ -	\$346,489	\$ 696,002
Other	56	290,027	2,280	292,363
State sources	329	-	322	651
Federal sources	-	-	133,523	133,523
Total revenues	<u>349,898</u>	<u>290,027</u>	<u>482,614</u>	<u>1,122,539</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	178,519	-	26,098	204,617
Other instruction	-	274,022	-	274,022
Support services:				
Administration services	210,956	-	-	210,956
Student support	-	-	96,287	96,287
Operation and maintenance of plant services	690	-	10,432	11,122
Student transportation	-	-	53,149	53,149
Non-instructional - other	1,184	-	-	1,184
Other expenditures:				
Facilities acquisition	-	-	209,429	209,429
Total expenditures	<u>391,349</u>	<u>274,022</u>	<u>395,395</u>	<u>1,060,766</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,451)</u>	<u>16,005</u>	<u>87,219</u>	<u>61,773</u>
Other financing sources (uses):				
Operating transfers out	-	-	(8,028)	(8,028)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,028)</u>	<u>(8,028)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(41,451)</u>	<u>16,005</u>	<u>79,191</u>	<u>53,745</u>
Fund balances beginning of year	<u>60,917</u>	<u>118,480</u>	<u>14,928</u>	<u>194,325</u>
Fund balances end of year	<u>\$ 19,466</u>	<u>\$134,485</u>	<u>\$ 94,119</u>	<u>\$ 248,070</u>

See Accompanying Independent Auditor's Report



**ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT****Schedule of Changes In Special Revenue Fund, Student Activity Accounts  
Year Ended June 30, 2004**

<u>Year</u>	<u>Balance Balance Beginning Of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>End Of</u>
Elementary	\$ 11,396	\$ 26,056	\$ 22,160	\$ 15,292
High School Activity	27,083	58,533	59,800	25,816
Athletic	20,615	142,308	158,725	4,198
Middle School	<u>59,386</u>	<u>63,130</u>	<u>33,337</u>	<u>89,179</u>
Total	<u>\$118,480</u>	<u>\$290,027</u>	<u>\$274,022</u>	<u>\$134,485</u>

**See Accompanying Independent Auditor's Report**

## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

**Schedule Of Revenues By Source and Expenditures By Function  
All Governmental Fund Types  
For The Last Four Years**

	Modified Accrual Basis			
	2004	2003	2002	2001
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ 5,139,351	\$ 4,919,676	\$ 4,526,420	\$ 4,339,897
Tuition	432,742	333,834	293,123	338,837
Other	2,543,339	2,439,292	504,550	643,274
State sources	6,400,290	6,583,495	6,689,319	6,664,251
Federal sources	1,292,861	1,251,866	1,000,689	604,895
<b>Total</b>	<u>\$15,808,583</u>	<u>\$15,528,163</u>	<u>\$13,014,101</u>	<u>\$12,591,154</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 5,331,064	\$ 5,306,952	\$ 5,488,655	\$ 5,140,188
Special instruction	2,584,254	2,508,109	2,354,016	2,130,032
Other instruction	856,602	885,306	553,380	599,296
Support Services:				
Student services	748,194	739,275	777,017	844,347
Instructional staff services	183,830	284,860	312,503	332,303
Administration services	1,081,985	1,068,412	1,023,627	1,094,766
Operation and maintenance of plant services	924,990	894,963	803,488	909,107
Transportation services	302,291	270,929	318,967	359,822
Non-instructional programs	1,413	997	-	-
Other Expenditures:				
Facilities acquisition	2,145,456	3,582,920	187,208	1,837,697
Long-Term Debt:				
Principal	268,028	362,987	432,256	584,028
Interest and other charges	99,893	118,813	137,327	186,776
AEA flowthrough	420,910	456,537	460,770	468,083
<b>Total</b>	<u>\$14,948,910</u>	<u>\$16,481,060</u>	<u>\$12,849,214</u>	<u>\$14,486,445</u>

See Accompanying Independent Auditor's Report



## ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2004

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	
<b><u>Expenditures</u></b>			
<b>Indirect:</b>			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food distribution (non-cash)	10.550	FY 04	\$ 39,724
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY 04	166,700
School Breakfast Program	10.558	FY 04	26,249
U.S. Department of Education:			
21 <sup>st</sup> Century Community Learning	84.287	FY04	395,904
Iowa Department of Education:			
Title I Program	84.010	General	211,291
Title I Program	84.010	Delinquent	101,596
			312,887
Migrant Education	84.011	FY 04	23,760
Class Size Reduction	84.340	FY 04	62,741
Even Start	84.213	FY 04	111,612
Star Schools	84.203	FY 04	17,392
Federal, State and Local Partnerships for Educational Improvements (Title 6 Program)	84.298	FY 04	9,318
Special Education	84.027	FY 04	28,621
Title VI	84.369	FY 04	7,872
Iowa's Bilingual & ESL	84.288	FY 04	16,104
Comprehensive School Reforms	84.332	FY 04	128,642
Safe and Drug-Free Schools and Communities	84.186	FY 04	14,624
Perkins	84.048	FY 04	2,948
ESL/Bilingual	84.288	FY 04	2,167
<b>Total</b>			<b>\$1,367,265</b>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Estherville Lincoln Central Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**See Accompanying Independent Auditor's Report**





## **Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting**

### **To the Officials of Estherville Lincoln Central Community School District:**

We have audited the general purpose financial statements of Estherville Lincoln Central Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 2, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether Estherville Lincoln Central Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our

attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as item II-A-03 in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and other parties to whom Estherville Lincoln Central Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Estherville Lincoln Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

November 2, 2004

**Independent Auditor's Report on Compliance with Requirements  
Applicable  
to Each Major Program and Internal Control over Compliance**

# **Independent Auditor's Report on Compliance With Requirements Applicable To Each Major Program and Internal Control Over Compliance**

**To the Officials of Estherville Lincoln Central Community School District:**

## **Compliance**

We have audited the compliance of Estherville Lincoln Central Community School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Estherville Lincoln Central Community School District's major federal programs are identified in Part 1 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Estherville Lincoln Central Community School District's management. Our responsibility is to express an opinion on Estherville Lincoln Central Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Estherville Lincoln Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Estherville Lincoln Central Community School District's compliance with those requirements.

In our opinion Estherville Lincoln Central Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

## **Internal Control Over Compliance**

The management of Estherville Lincoln Central Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Estherville Lincoln Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Estherville Lincoln Central Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described as item III-A-04 in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Estherville Lincoln Central Community School District and other parties to whom Estherville Lincoln Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

November 2, 2004

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs Year Ended June 30, 2004

### **Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:  
  
CFDA Number 84.010 - Title I Grants to Local Educational Agencies  
CFDA Number 84.287 - 21<sup>st</sup> Century Community Learning
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Estherville Community School District did not qualify as a low-risk auditee.

### **Part II: Findings Related to the General Purpose Financial Statements**

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

## **REPORTABLE CONDITIONS:**

**II-A-04 Segregation of Duties** - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted there are situations where one individual in the District who: 1) reconciles the bank accounts and performs record-keeping functions, including those related to the major Federal program, 2) maintains detail accounts receivable records and also performs collections and records postings.

**Recommendation** - We realize that with a limited number of office employees, segregation of duties is difficult. The District did review a plan for strengthening internal control with us after last year's audit. The plan did improve internal control significantly, but we would like the District to review the operating procedures again to obtain the maximum internal control possible under the circumstances.

**Response and Corrective Action Planned** - We will review the operating procedures and implement corrective procedures where needed.

**Conclusion** - Response accepted.

## **Part III: Findings and Questioned Costs For Federal Awards:**

### **INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

### **REPORTABLE CONDITIONS:**

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
Agency Numbers: General and Delinquent  
Federal Award Year: 2004  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.287: 21<sup>st</sup> Century Community Learning  
Federal Award Year: 2004  
U.S. Department of Education

**III-A-04 Segregation of Duties Over Federal Revenues** - The School did not properly segregate record-keeping, and reconciling functions including those related to Federal programs. See audit finding II-A-04.

#### **Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-04 Official Depositories** - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- IV-B-04 Certified Budget** - Disbursements during the year ended June 30, 2004 did not exceed the amended certified budget amounts.
- IV-C-04 Questionable Expenditures** - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-D-04 Travel Expense** - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-04 Business Transactions** - No business transactions between the District and District officials or employees were noted.
- IV-F-04 Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-G-04 Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-04 Certified Enrollment** - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-I-04 Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-04 Certified Annual Report** - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.



**Part IV: Other Findings Related to Required Statutory Reporting (Continued):**

**IV-K-04 Deficit Balances** - Several student activity accounts had deficit balances at June 30, 2004.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion - Response accepted.

# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Corrective Action Plan For Federal Audit Findings Year Ended June 30, 2004

Comment Of		Contact Person Anticipated Title		Date
Number	Comment Title	Corrective Action Plan	Phone Number	
Completion				
III-A-04 December 31,	Segregation of Duties Over Federal Revenues	The corrective plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Kate Woods  Board Treasurer (712) 362-8460	2004



# ESTHERVILLE LINCOLN CENTRAL COMMUNITY SCHOOL DISTRICT

## Summary Schedule of Prior Federal Audit Findings Year Ended June 30, 2004

Comment Action			If Not Corrected, Provide Planned Corrective
Reference	Comment Title	Status	Or Other Explanation
III-A-03 for record - keeping	Segregation of Duties among the	Partially Corrected	Plan to segregate duties Over Federal Revenues  District's employees.



